

Service Date: January 27, 1999

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	UTILITY DIVISION
of MDU RESOURCES GROUP, INC.)	DOCKET NO. D99.1.1
for Authorization of the Issuance of)		DEFAULT ORDER NO. 6140
Up To \$400,000,000 Worth of)	
Additional Securities.)	

On December 31, 1998, MDU Resources Group, Inc. ("Applicant" or "Company") filed an application with the Montana Public Commission ("Commission") seeking authority to issue up to \$400,000,000 worth of additional securities of the Company as proposed in the application. The application is filed pursuant to Title 69, Chapter 3, Part 5, MCA. The application was supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of issuance of securities by electric and gas utility companies operating within Montana. For detailed information with respect to the general character of Applicant's business and the territory served by it, reference is made to its annual report on file with the Commission.

At a regular open session of the Montana Public Service Commission, held at its offices on January 25, 1999, there came before the Commission for final action the matters in this Docket, and the Commission, having fully considered the application and data and records pertaining thereto on file with

the Commission and being fully advised in the premises, makes the following:

FINDINGS OF FACT

1. Applicant is a corporation organized and existing under and by virtue of the laws of the State of Delaware and is qualified to transact business in the State of Montana.
2. Applicant is operating as a public utility as defined in §§ 69-3-101 and 69-3-102, MCA, and as such is engaged in furnishing electric and gas service in Montana.
3. The Commission has jurisdiction over the subject matter of said

application under Title 69, Chapter 3, Part 5, MCA.

4. The Company applies for a Commission order for authorization:

(A) for issuance, over a two-year period (unless otherwise specified herein regarding hybrid securities), of some or all of the following kinds of securities, but in each case within the maximum limits shown for each kind, as the Company determines to be necessary to obtain for the Company not to exceed \$400,000,000 of long-term financing for the purposes hereinafter discussed:

(i) for the issuance of not to exceed \$400,000,000 worth of the Company's Common Stock;

(ii) for the issuance of not to exceed \$40,000,000 worth of the Company's Preferred Stock and/or Preferred Stock

A;

(iii) for the issuance of not to exceed \$120,000,000 principal amount of the Company's secured debt securities

(including, without limitation, first mortgage bonds or secured medium-term notes ("New Mortgage Bonds")

or other secured debt securities ("Senior Notes"), some

of the proceeds of which may be used to purchase,

defease or redeem existing medium-term notes secured

by the Company's Indenture of Mortgage ("Secured

Medium-Term Notes") or short-term debt securities,

unsecured debt securities, and/or other securities,

including guarantees, in connection with hybrid

securities financings such as convertible securities,

putable or callable instruments, together with

associated put or call rights, subordinated debt, and

mandatorily convertible instruments;

The Company describes in its application several kinds of hybrid securities that it may issue:

(1) Preferred Securities. Under a Preferred Securities financing, the Company would first establish a special purpose limited partnership. As the general partner of the partnership, the Company would make a capital contribution to the partnership and cause the partnership to offer limited partner interests in the form of Preferred Securities to the public in a registered public offering or an offering exempt from registration requirements under the Securities Act of 1933, as amended (the "Securities Act"). The Company would issue junior subordinated deferrable interest debentures to the limited partnership in a principal amount equal in the aggregate to its general partner capital contribution to the partnership and the amount of the

Preferred Securities proceeds to evidence the borrowing of such amounts borrowed from the partnership. The Company would make interest payments to the partnership on the subordinated debentures in regular installments equal in amount to the distributions to be paid by the partnership to the Preferred Securities holders. The financing structure is designed to make the interest payments on the subordinated debentures tax deductible to the Company.

The Company would also guarantee, to the extent the limited partnership has legally available funds available, the distributions to be paid by the partnership on the Preferred Securities. However, the Company would have the right to extend interest payment periods on the subordinated debentures for a specified period (generally up to 60 consecutive months), during which time distributions on the Preferred Securities would be deferred.

In lieu of using a limited partnership structure to issue the Preferred Securities, as described above, the Company may elect to establish a Delaware statutory business trust that would issue (i) common undivided beneficial interests in the assets of the trust to the Company, and (ii) preferred undivided beneficial interests in the assets of the trust to the public. (The preferred interests would be equivalent in character to the Preferred Securities issued by a limited partnership as described above.) The assets of the trust would consist of junior subordinated deferrable interest debentures of the Company generally having the same characteristics as described above.

In lieu of using the Preferred Securities structure, the Company may determine to issue directly to the public, in a registered offering or an offering exempt from registration requirements under the Securities Act, subordinated deferrable interest debentures having an interest deferral feature generally as described above in the Preferred Securities structure. During any extension period when interest is not paid on the scheduled interest payment dates, the Company would be prohibited from paying dividends on any of its capital stock.

(2) Other Hybrid Securities. The Preferred Stock, Preferred Stock A, New Mortgage Bonds, Senior Notes, other debt securities and Preferred Securities described above (the "Basic Securities") may be by their terms convertible into, or required to be converted into, other securities of the Applicant, or securities owned by or to be acquired by the Applicant, at predetermined times and ratios, or at times and ratios to be determined by reference to a formula. The Basic Securities may also entitle the owners thereof to put such securities to the Applicant, at predetermined times and prices, or at times and prices to be determined by reference to a formula, or may be subject to a call right, to be sold by the Applicant, that would require the owners thereof to sell their Basic Securities to the owner of the call right, for remarketing at a yield determined by reference to a formula or at a specified rate.

The Applicant may also issue "component securities" in connection with the issuance of Basic Securities, which may require or entitle the holders thereof to purchase Common Stock of the Applicant, at predetermined times and prices, or at times and prices to be determined by reference to a formula, and may enter into contracts which would require the Applicant to adjust

yield on one or more of such components.

(B) for the issuance of all the above securities (the "Company Securities") by methods which may include other than competitive bidding and negotiated offers, as expressly permitted by 18 C.F.R. Section 34.2(a)(3)(iii).

The Company requests that a single order be issued to authorize the relief requested by this application. The Company seeks the flexibility to issue the Company Securities in one or more public offerings, private placements, direct placements, or agency transactions, or any combination of these methods of issuance, so long as any method of issuance used by the Company

is deemed to be in the best interest of the Company, its customers and its stockholders. In addition, the Company seeks the flexibility to vary the maximum issuance amounts set forth above for each type of security, so long

The times mentioned above are expected to be after the two-year period for which this application is submitted, but the Applicant seeks the authority to issue securities thereafter pursuant to a commitment entered into during such two-year period.

To the extent that the Applicant receives any payment in connection with the issuance of a hybrid security in addition to the proceeds of the sale of the Basic Securities, or receives proceeds to be used by the Applicant to facilitate a component securities offering, such payment or proceeds shall not reduce the amount of Basic Securities issuable pursuant to this application.

as the aggregate issuance amount of all such securities does not exceed \$400,000,000.

The Applicant requests that the authorization granted pursuant to this application permit the Company to issue and sell the Company Securities from time to time, in one or more transactions, over a period of two years (unless otherwise specified with regard to hybrid securities) from the date of the Commission's order herein and that the authorization supersede and replace the Commission Order dated March 13, 1998 (Docket No. D98.2.25, Default Order No. 6056).

5. The proceeds from issuing the Company Securities would be used for funding the Company's capital requirements, for the refunding of its outstanding obligations, for corporate development (including, without limitation, the issuance of any of the Company Securities in a private placement with the seller or sellers of a business, or its assets, being acquired, or the issuance and sale of the Company Securities in one or more public offerings, direct placements, or agency transactions, or any combination of these methods, the cash proceeds therefrom being applied to finance the acquisition of businesses or business assets, or the issuance and exchange of the Company Securities for other securities) and for other general corporate purposes.

6. The transactions proposed by Applicant (a) are consistent with the public interest; (b) are for a purpose or purposes permitted under the laws of the State of Montana; (c) are necessary or appropriate for and consistent with the proper performance by Applicant of service as a public utility; and (d) will not result in a situation in which the aggregate amount of the securities outstanding and proposed herein to be outstanding will exceed the fair value of the properties and business of the Applicant.

CONCLUSIONS OF LAW

The securities transactions proposed by Applicant, as herein authorized, will be for a lawful purpose and are consistent with the public interest; the

same are appropriate and consistent with the necessary performance of Applicant of service as a public utility; and the aggregate amount of securities outstanding and proposed to be outstanding will not exceed the fair value of the properties and business of the Applicant.

ORDER

IT IS HEREBY ORDERED by the Commission:

1. The application of MDU Resources Group, Inc. for authority to issue up to \$400,000,000 worth of additional Company Securities as proposed in the application, is hereby approved and authority is granted. This authority is effective through December 31, 2000, provided that, in the case of hybrid securities, the authorization to issue Company Securities granted herein shall extend beyond the two-year effective period if the Company has entered into a written commitment to issue such hybrid securities prior to the expiration date of the effective period.
2. On March 13, 1998, in Docket No. D98.2.25, Default Order No. 6056, the Commission authorized the Company to issue, from time to time over a two-year period, up to \$200,000,000 of the Company's Common Stock (the "1998 Authorization"). Upon the Applicant's request, the Commission hereby orders that the authority granted herein shall supersede and replace the 1998 Authorization, effective immediately, without affecting the validity and authorization of Common Stock issued under the 1998 Authorization prior to the date of this Order.
3. Approval of this filing is based on MDU Resources Group, Inc.'s assurance that the issuance of the Company Securities will not have an adverse effect on the Applicant nor effect any change in the cost or quality of service to the Applicant's ratepayers. Also, the Applicant stated in the filing that the issuance of Company Securities will not impair the Applicant's ability to perform its public utility service.
4. Neither the issuance of securities by Applicant pursuant to the provision of this Order nor any other act or deed done or performed in connection therewith, shall be construed to obligate the State of Montana to

pay or guarantee in any manner whatsoever any securities authorized, issued, assumed or guaranteed hereunder.

5. The approval of this application shall not be construed as precedent to prejudice any future action of this Commission.

6. Issuance of the Order does not constitute acceptance of the Applicant's exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

DONE IN OPEN SESSION at Helena, Montana this 25th day of January, 1999, by a vote of 5-0 .

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY MCCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

GARY FELAND, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.